



Change. Transform. Evolve.

# Nations Trust Investor Webinar

April 2018

# Presenter

## **Renuka Fernando**

Director/ CEO

Nations Trust Bank PLC

## Panelists

1. **Renuka Fernando** - Director/ CEO
2. **Ajith Akmeemana** - Chief Financial Officer
3. **Priyantha Talwatte** - Senior Executive Vice President (Consumer Banking & Cards)
4. **Thilak Piyadigama** - Chief Operating Officer

## Vision

We help people and businesses achieve today's goals and tomorrow's aspirations

## Mission

We will work SMART to become the most respected financial services provider

## Our Values

- Agile
- Proactive
- Excellence
- Winning together
- Trust

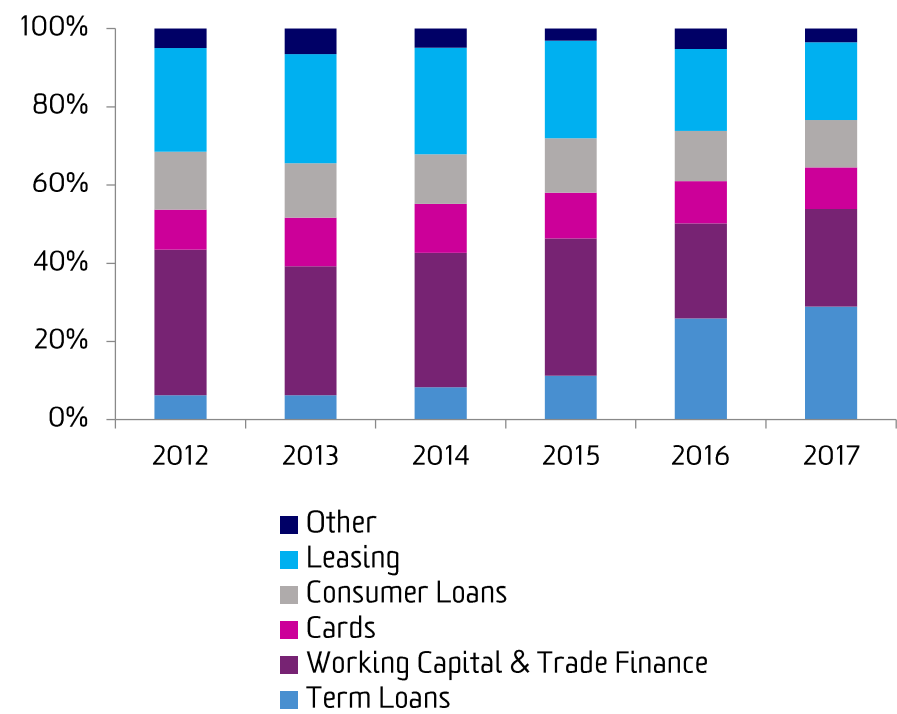
## Key Milestones in 2017

- FriMi – First Digital Bank in Sri Lanka.
- Acted as the Lead Arranger for a USD 20 mn Syndicated Term Loan for a leading Maldivian resort operator.
- Expanded our regional exposure through a USD 8.4 mn participation in a FMO Syndicate loan.
- Secured a USD 50 mn funding line from IFC and announced a LKR 3.2 bn rights issue to support balance sheet expansion and capital management.

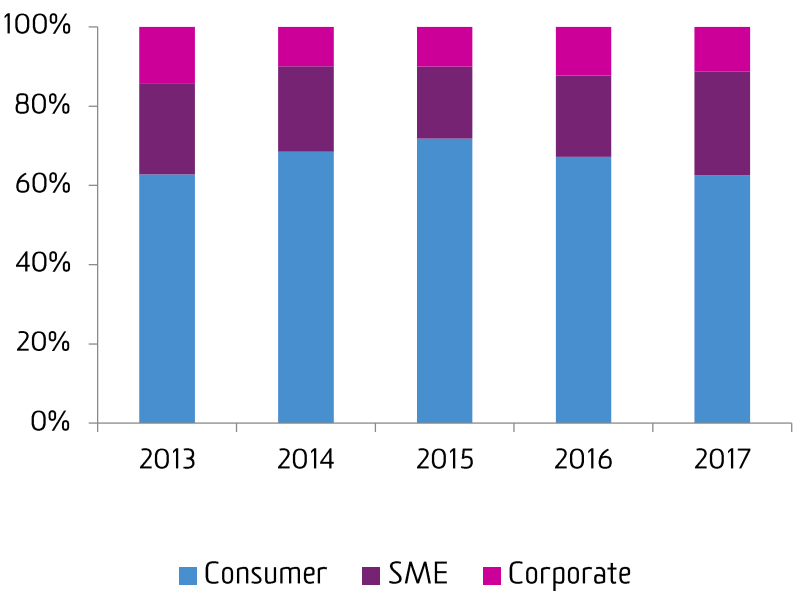
# Business Mix; Well-Balanced Asset Book, Diversification of Revenue



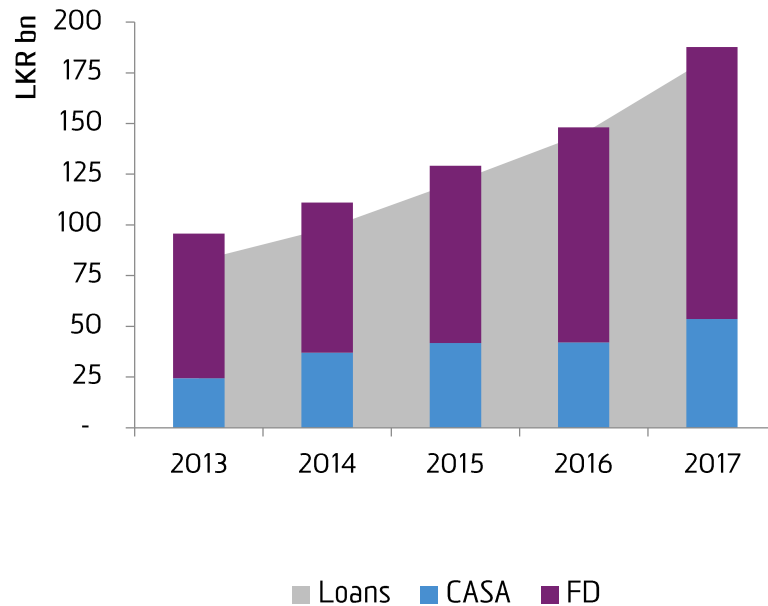
Loan Book by Product (%)



Revenue by Customer Segment (%)



Business Volumes (LKR bn)



# Strategic Framework

## Financials

- Delivering better than industry **ROE** through expansion of our **market share** and efficiencies via significant improvement to C:I Ratio

## Customer

- Bringing unmatched **transformational customer experience** through **innovation**, technology and **data analytics**

## Delivery & Distribution

- Leveraging technology to bring **digital experience** and market access/penetration

## Internal Processes

- Achieving operational efficiencies through **automation** and **lean** processes

## Human Capital

- Recruiting and developing **different skills** required in a **dynamic** environment
- **Talent Management**

# Setting the Stage for Transformation

## 2017 Initiatives

Earnings	Customer	Delivery & Distribution	Internal Process	Human Capital
<b>Fee Income</b> <ul style="list-style-type: none"> <li>• Focus on trade fees (+36%)</li> </ul> <b>CASA (+28%)</b> <ul style="list-style-type: none"> <li>• Max Bonus</li> <li>• Re-launch Business banking</li> </ul> <b>Assets (+27%)</b> <ul style="list-style-type: none"> <li>• RAROC Focus – hurdle tracking</li> </ul> <b>NAVPS Growth (+24%)</b>	<b>New Markets/Segments</b> <ul style="list-style-type: none"> <li>• Mid market segment</li> <li>• Micro-enterprise proposition</li> <li>• FriMi - Millennials</li> </ul> <b>Customer Experience</b> <ul style="list-style-type: none"> <li>• Innovation Centre</li> <li>• MA customer identification and Life cycle journey through data analytics</li> </ul>	<b>Digital &amp; technology</b> <ul style="list-style-type: none"> <li>• Mobile Banking App</li> </ul> <b>Branches</b> <ul style="list-style-type: none"> <li>• Model branch (F1)</li> </ul>	<b>Operational Excellence</b> <ul style="list-style-type: none"> <li>• Internal infrastructure to enable collaboration and paperless environment with mobility for employees</li> <li>• BI dashboards</li> <li>• Ventured into RPA</li> <li>• HRMS</li> </ul>	<b>Up-skill knowledge</b> <ul style="list-style-type: none"> <li>• Imported required future skills</li> <li>• E-learning platform</li> </ul> <b>Employee engagement &amp; Culture building</b> <ul style="list-style-type: none"> <li>• Aligned employer brand with bank brand</li> <li>• Digital avenues for employee communication</li> </ul> <b>Succession Planning</b>

# Macro Economic Environment in 2017

## • Inflation

- YoY inflation increased to 7.1% in 2017 from 4.5% in 2016 mainly attributable to unfavorable weather conditions prevailed in the country

## • Market Rates

- AWFDR moved from 10.46% to 11.48% during 2017
- Policy rates were revised up by 25bps in March 2017
- USD/LKR exchange rate depreciated by c. 2% in 2017

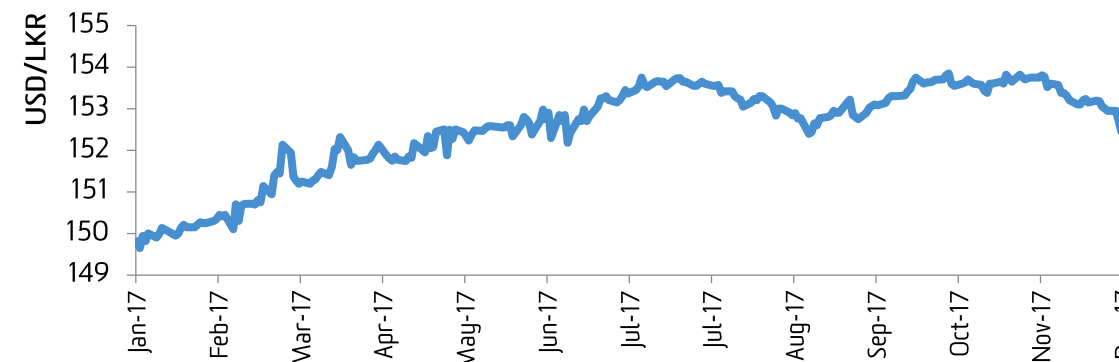
## • Credit

- Banking sector credit recorded a subdued growth of 16.2% during 2017

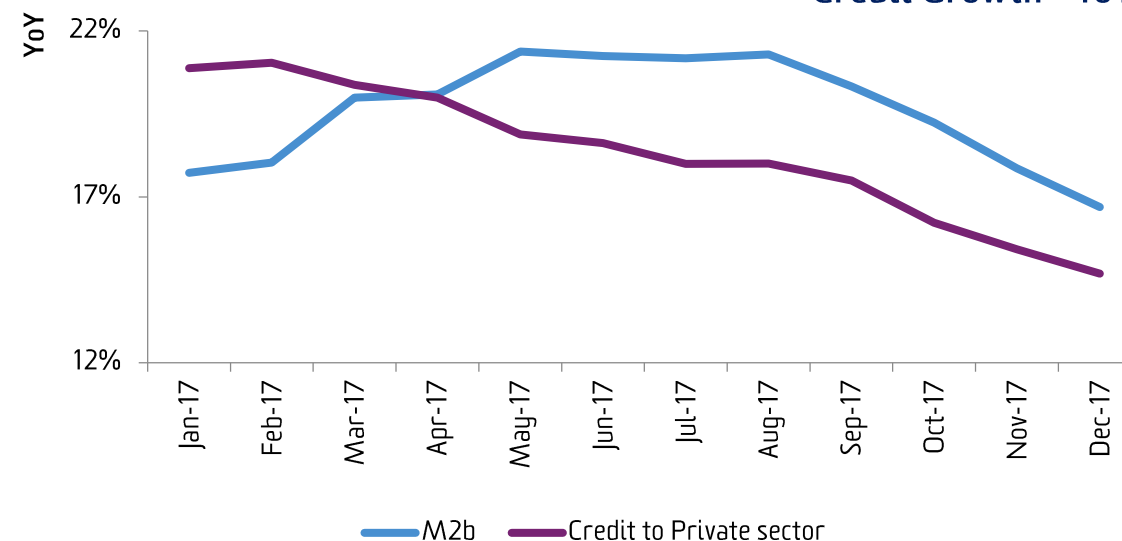
## • Market Liquidity

- Despite market liquidity moving in both directions and experiencing some volatility, the impact of same on market rates (Deposits, Lending and G.Sec) was rather limited.

Exchange Rate – USD/LKR



Credit Growth - YoY



# The Year in Numbers 2017

## Financial Summary

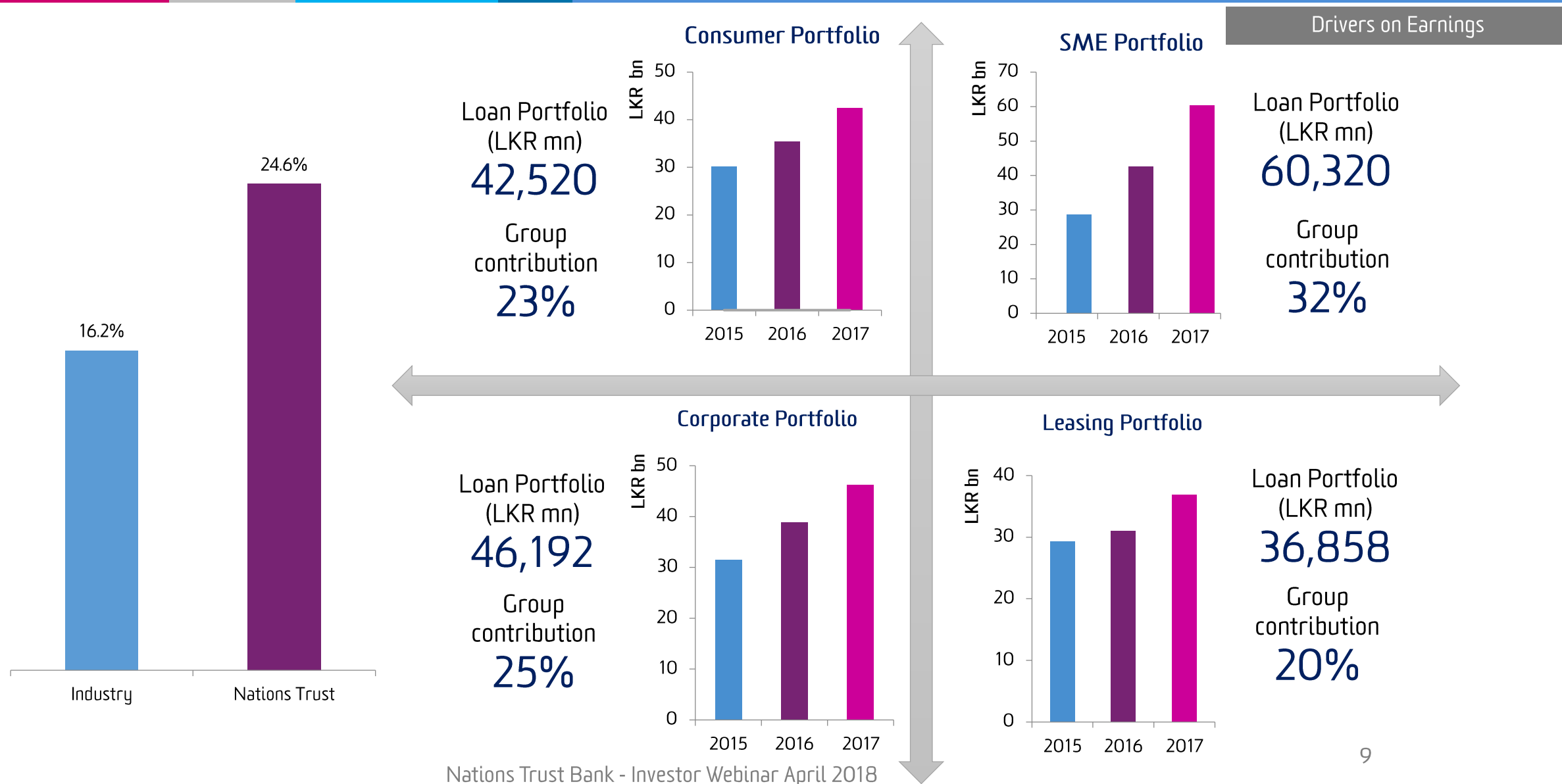
Earnings Summary (Group)			
LKR mn	2016	2017	YoY Change
Total Revenue	13,711	16,914	23%
Operating Expenses	7,620	8,773	15%
Impairment Charges	690	1,089	58%
Profit Before Tax	5,400	7,052	31%
Profit After Tax	2,869	3,371	18%

Financial Position (Group)			
LKR mn	2016	2017	YoY Change
Customer Deposits	151,502	194,269	28%
Loans and Receivables	149,818	186,746	25%
Total Assets	211,180	267,629	27%
Total Equity	17,321	21,470	24%

Key Performance Indicators	2016	2017
Profitability (Group)		
Net Interest Margin (%)	4.5	4.4
Non-Performing-Loans ratio (%)	2.4	2.3
Return on Assets (%)	1.5	1.4
Return on Equity (%)	17.7	17.4
Cost to Income ratio (%)	55.6	51.9
Investor Information (Bank)		
Market value per Share (LKR.)	80.90	78.00
Earnings per Share-basic	11.46	18.12
Net Asset value per Share (LKR.)	67.54	87.94
Market Capitalisation	18,656	17,987
Regulatory Ratios (Group) %		
Tier 1 Capital (minimum ratio of 7.25%)	11.40	10.83
Total Capital (minimum ratio of 11.25%)	15.82	13.89
Statutory Liquid Assets ratio (DBU)	21.72	21.13



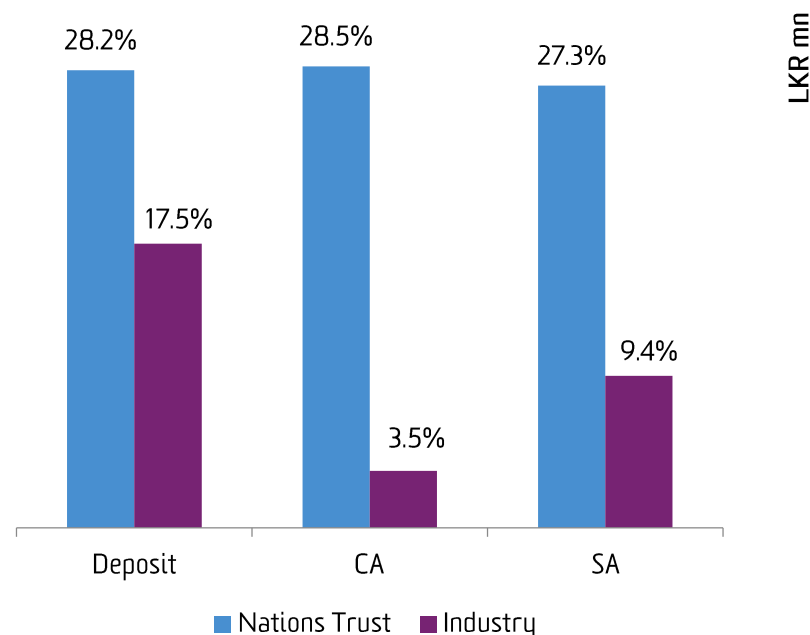
# Robust Loans and Advances Growth of 25% Compared to Industry Growth of 16.2%



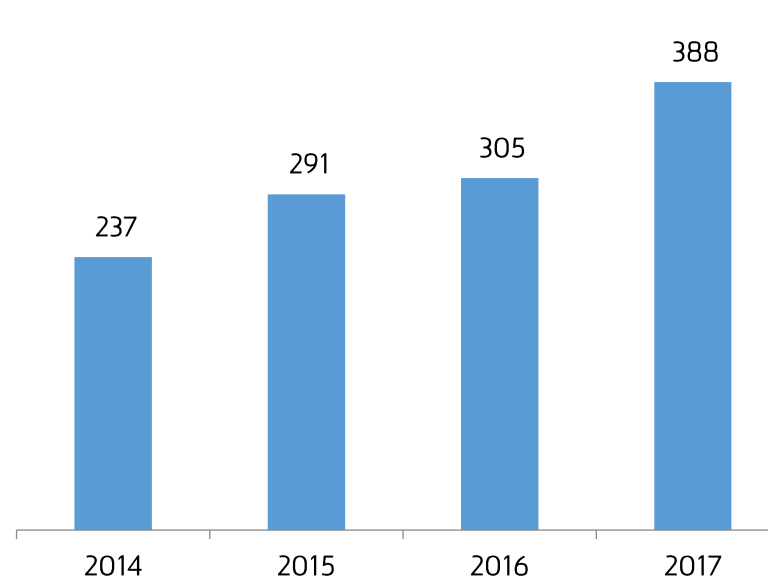
# CASA Growth (+28%) Outperformed Industry Growth (+8.2%)

## Drivers of Earnings

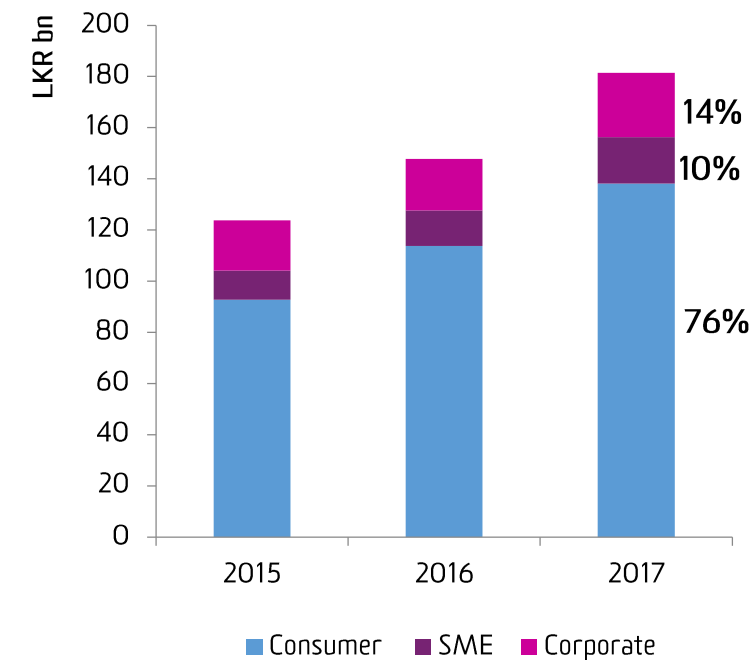
### Deposit Growth



### SA/ Branch (LKR mn)



### Segment wise Deposit Portfolio

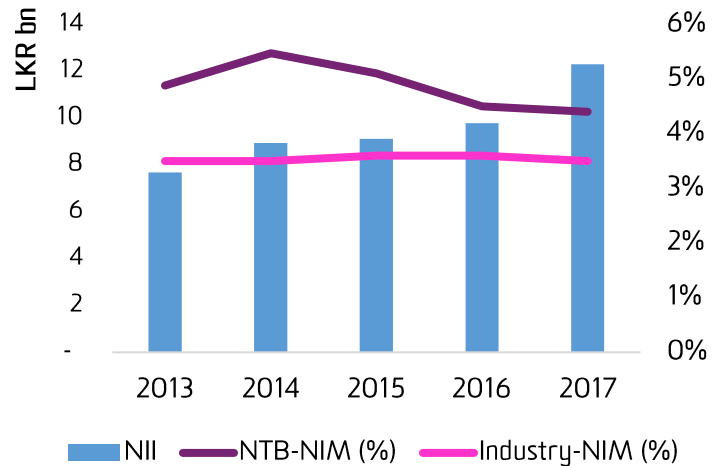


- Max Bonus – New product proposition launched during 2017 assisted bank to enhance CASA

# Net Interest Income Recorded a 26% Growth with Stable Yield and CoF Movement

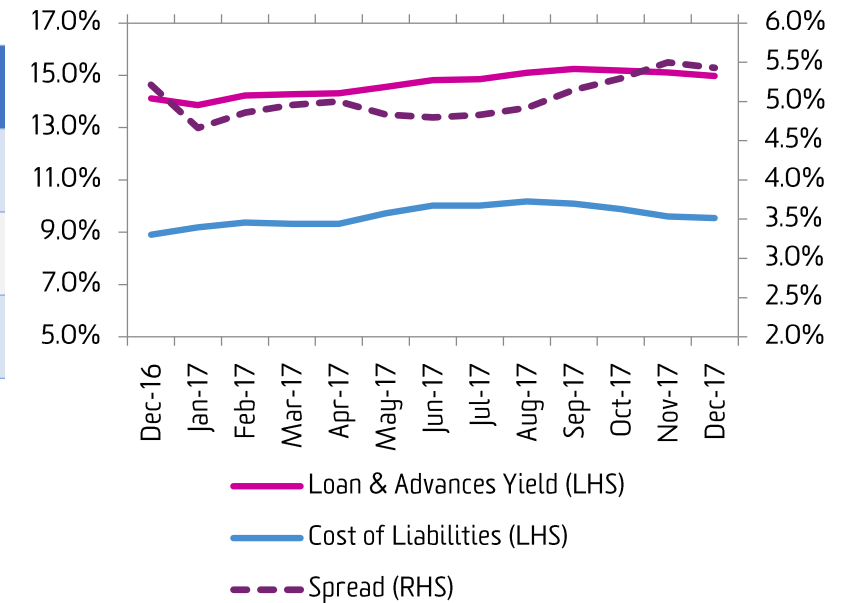
Earnings - NII

NII Trends



	Assets	Liabilities	Total
Yield Impact	3,956	(3,762)	194
Volume Impact	5,045	(2,736)	2,309
Total	9,001	(6,498)	2,503

Yield/Spread Movement



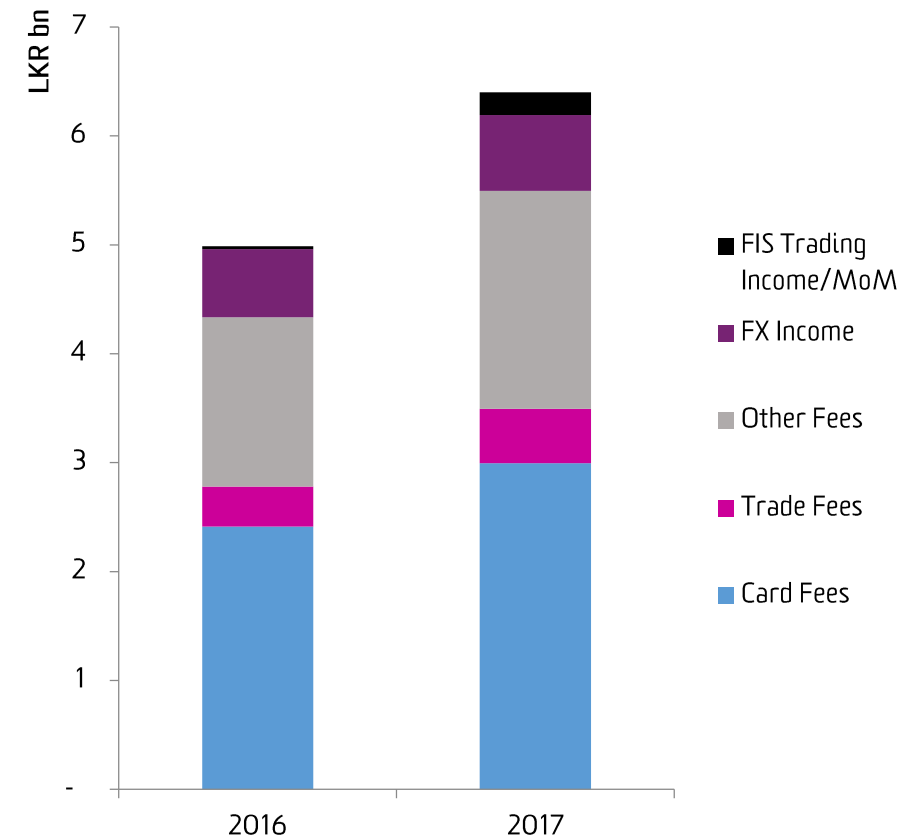
- Net Interest Margin (NIM) marginally came down to 4.4% in 2017 compared to 4.5% in 2016; continued to be above industry levels
- Positive volume impact largely contributed to NII growth.

# Core Non-Fund Based Income Recorded a Growth of 26%

Earnings - Fees

- Focused approach on growing trade & customer FX by 36% and 12% respectively
- Card fees recorded a growth of 24% mainly attributable to growing volumes
- Robust portfolio and transactional volume growth assisted in other fees growing by 29%

## Core Fee Based Income

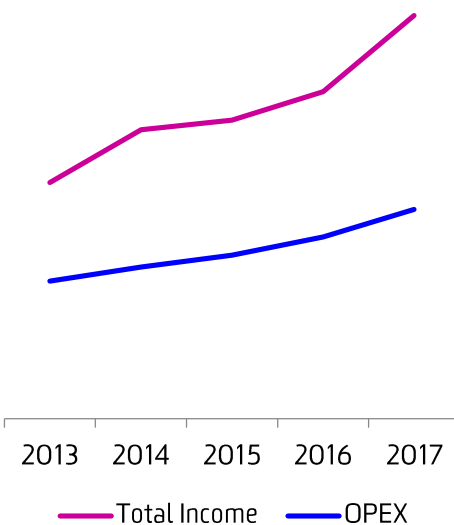


*(Core non fund based income is excluding funding SWAP borrowing cost which is shown under net interest income for meaningful comparison.)*

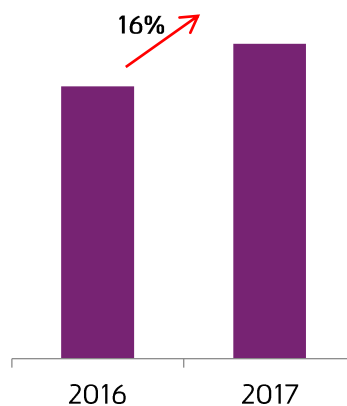
# Cost-to-Income Ratio Continued to Come Down amidst Increasing Volume

Earnings - OPEX

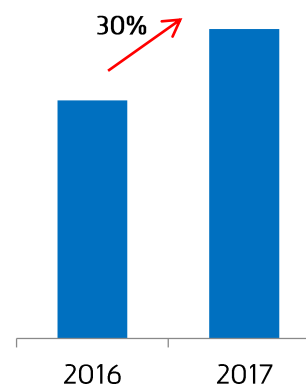
Total Income vs. OPEX



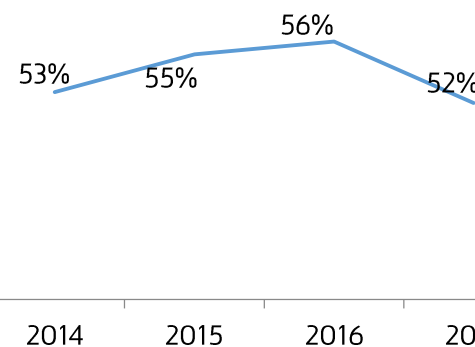
Transaction Volumes



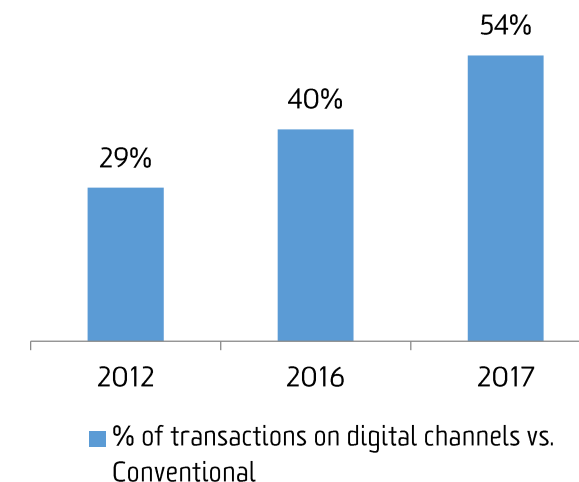
Product Acquisitions



C:I Ratio



Transition to Digital



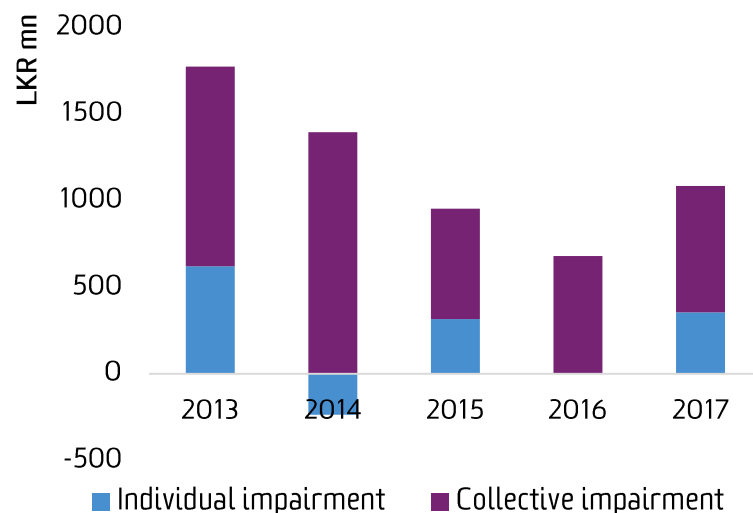
(Digital Channels includes transactions on ATM/POS/Internet/Mobile/CDMs)

- Ongoing focus on automating processes, lean initiatives and productivity improvements have resulted in improving Group's cost-to-income ratio to **52%** from **56%** in 2016

# Impairment Increased by 58%; NPLs are Well Below the Industry

Earnings - Impairment

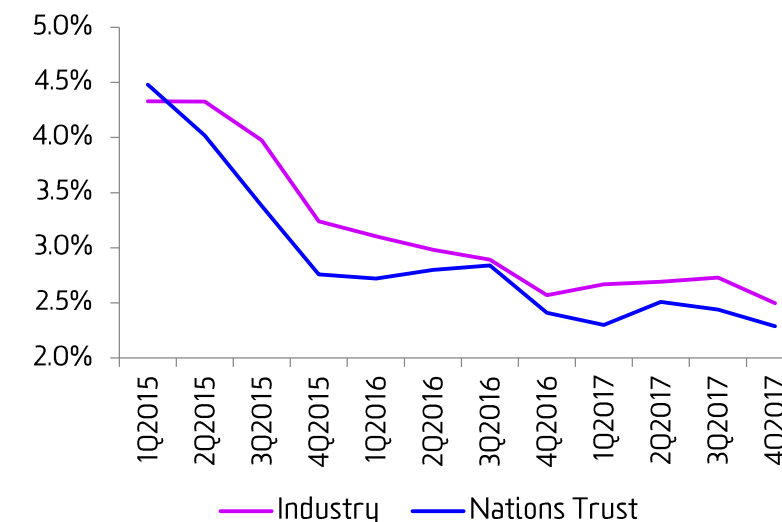
Impairment Charges



Impairment Charges - 2017

LKR mn	2016	2017
Individual Impairment	3	354
Collective Impairment	677	730
Others - Charges Receivable Impairment	10	5
<b>Total</b>	<b>690</b>	<b>1,089</b>

NPL Movement



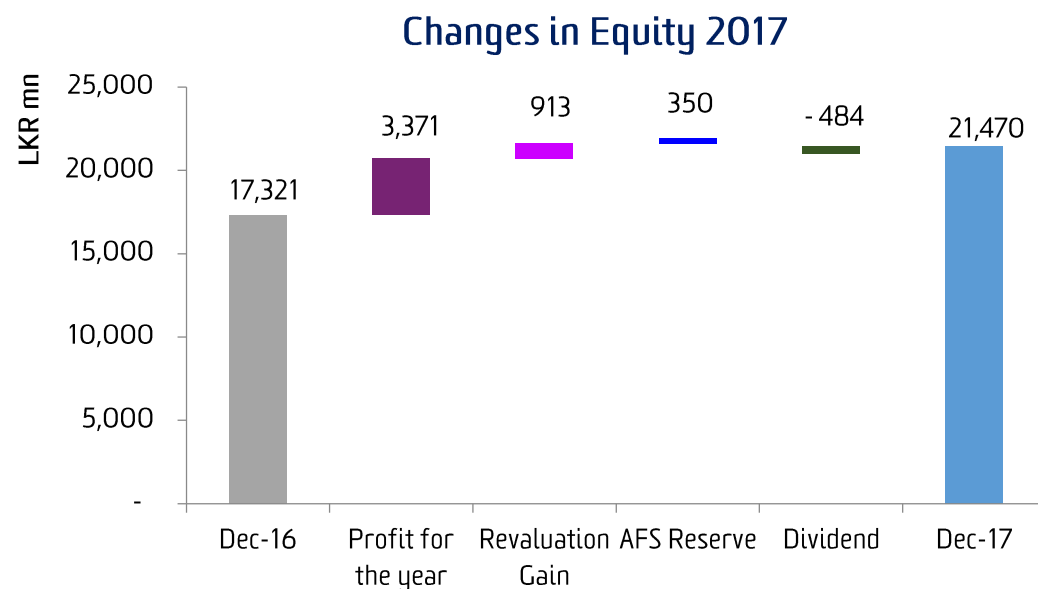
The Group's impairment charges increased by 58% to LKR 1.09 bn in 2017, following;

- Strong volume growth in the Consumer and SME segments
- Weakening of the country's agriculture sector
- Broad-based portfolio growth

Group's gross NPL ratio decreased from 2.41% in 2016 to 2.29% in 2017

In 2018, focus will be placed on consolidating the portfolio and strengthening collections and recoveries following the strong growth in 2017

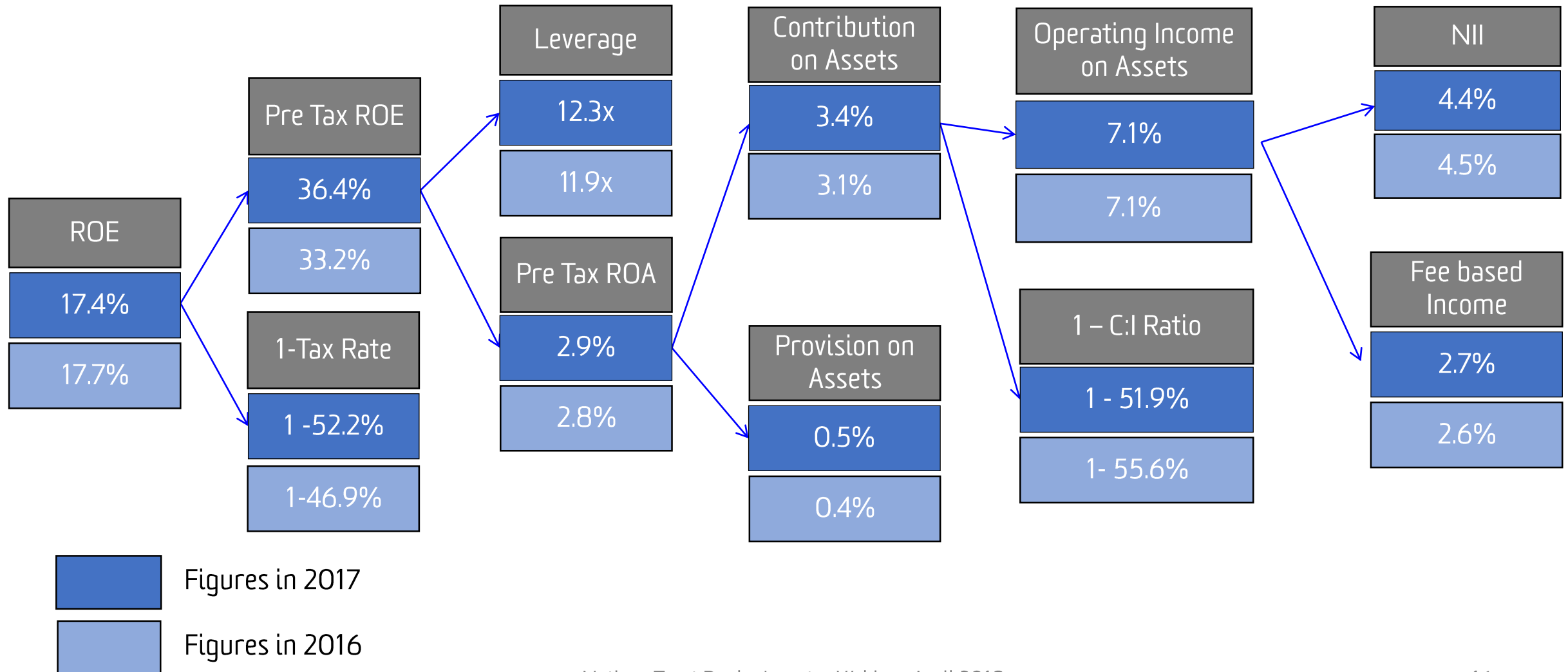
# Capital Ratios are Much Stronger with the Recent Rights Issue



Regulatory Ratios (Group) %	2016	2017
Tier 1 (minimum ratio of 7.25%)	11.40%	10.83%
Total Capital (minimum ratio of 11.25%)	15.82%	13.89%

- Shareholders' funds increased by 24% to LKR 21.47 bn in 2017
- LKR 3.2 bn capital has been raised through a rights issue of ordinary non-voting convertible shares in February 2018
- Another, LKR 3.5 bn Basel III compliant tier II capital is planned to be raised in 1H2018

# Du-Pont Analysis





# Looking Ahead....

- New developments in the external environment
  - IFRS 9, New IR act
- Unmatched customer experience
- Re-engineer OPEX model to continuously bring about efficiencies
- Robust loan growth
- Up skill knowledge and culture building

# Thank You...!!

*For more inquiries contact [ntb.investorrelations@nationstrust.com](mailto:ntb.investorrelations@nationstrust.com)*